



STATE OF WASHINGTON

OFFICE OF THE FORECAST COUNCIL

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December 11, 2003

TO: Senator Lisa Brown, Chair
Senator Dino Rossi
Representative Jack Cairnes
Representative Jim McIntire
Marty Brown, OFM, Director
Will Rice, DOR, Acting Director

FROM: Chang Mook Sohn, Executive Director
Office of the Forecast Council

SUBJECT: December 10, 2003 REVENUE COLLECTION REPORT

General Fund-State (GFS) collections totaled \$1,154.1 million in the November 11-December 10, 2003 collection period. Tax payments were \$16.1 million (1.4 percent) less than expected. Revenue Act (retail sales, business & occupation, use and public utility taxes) receipts, cigarette and property tax payments were below the estimate for the month. Real estate excise and estate tax payments were higher than expected.

Economic news remains generally positive. The U.S. unemployment rate fell to 5.9 percent of the labor force in November from 6.0 percent in October and average weekly earnings rose for the second straight month. The economy added 57,000 jobs in November. This was smaller than expected and much less than the 137,000 added in October. Still, payroll employment has now increased for four straight months after six months of decline.

Revenue Act receipts were \$21.7 million less than expected for the month. Collections this period primarily reflect October 2003 business activity of monthly taxpayers. Revenue Act collections this month were only 0.9 percent above the year-ago period adjusting for legislation and special factors. This is the weakest increase since March. Last month Revenue Act receipts were very strong, increasing 6.2 percent. Monthly collections can be very volatile on a monthly basis so a weak month after a strong month is not unusual or cause for concern. For the last two months combined, Revenue Act growth averaged 3.7 percent and collections are up 3.1 percent for the fiscal year-to-date.

Preliminary data on tax payments of 9,500 large taxpayers who filed electronically for the current month again show retailers doing better than non-retailers. Total tax payments of business in the retail trade sector were 5.0 percent above the year-ago level, with all but two sectors reporting increases. Furniture and home furnishings stores and building materials/garden equipment retailers reported the largest (low double-digit) gains. Gas stations and food stores reported small declines in tax payments. Outside retailing, most major sectors reported increases with the exception of manufacturing, utilities and finance and insurance. The increase reported by non retail sectors varied considerably. At the low end, the construction sector reported a 1.4

percent increase. The professional services sector (+7.9 percent) and the wholesale trade sector (+7.4 percent) reported solid gains.

Other General Fund taxes collected by the Department of Revenue were \$5.7 million above the estimate for the month. Stronger than expected estate tax and real estate excise tax more than offset weaker than expected property and cigarette tax collections for the month.

Real estate activity has started to decelerate but is still growing faster than expected and exceed the forecast for the month by \$3.8 million. Real estate activity (closings in October which reflecting tax payments to the state in November) was 34.2 percent above the year-ago level statewide. Last month it increased 40.6 percent. Real estate excise activity has grown more than 20 percent for the last seven months and twelve of the past thirteen months. In October the number of transactions was up 14.6 percent, while the average value per transaction increased 17.1 percent.

Department of Licensing General Fund-State collections were \$58,000 below the estimate for the month in October.

The attached Table 1 provides a comparison of collections with the November 2003 forecast for the November 11 - December 10, 2003 collection period and cumulatively since the November 2003 forecast. The cumulative variance is virtually identical to the variance for the month because the monthly estimates based on the November forecast reflect actual collections through November 10. The difference in the month and the cumulative-to-date variance in Table 1 reflect data revisions. Table 2 compares revised collection figures to the preliminary numbers reported in last month's collection report.

CMS:cg

Attachments

TABLE 1
Revenue Collection Report
December 10, 2003 Collections Compared to the November 2003 Forecast
Thousands of Dollars

<u>Period/Source</u>	<u>Estimate*</u>	<u>Actual</u>	<u>Amount</u>	<u>Difference</u> <u>Percent</u>
November 11 - December 10, 2003				
Department of Revenue-Total	\$1,169,632	\$1,153,595	(\$16,037)	-1.4%
Revenue Act** (1)	677,348	655,624	(21,724)	-3.2%
Non-Revenue Act(2)	492,284	497,971	5,687	1.2%
Liquor Sales/Liter	7,715	8,447	732	9.5%
Cigarette	3,919	3,351	(568)	-14.5%
Property (State School Levy)	386,183	384,523	(1,660)	-0.4%
Estate	11,426	13,015	1,590	13.9%
Real Estate Excise	49,698	53,505	3,807	7.7%
Timber (state share)	2,237	2,151	(86)	-3.9%
Other	31,105	32,977	1,873	6.0%
Department of Licensing (2)	533	475	(58)	-11.0%
Lottery (5)	0	0	0	NA
Total General Fund-State***	\$1,170,165	\$1,154,070	(\$16,095)	-1.4%
Cumulative Variance Since the November Forecast (Nov. 11, 2003 - December 10, 2003)				
Department of Revenue-Total	\$1,169,632	1,153,595	(16,037)	-1.4%
Revenue Act** (3)	677,348	655,624	(21,724)	-3.2%
Non-Revenue Act(4)	492,284	497,971	5,687	1.2%
Liquor Sales/Liter	7,715	8,447	732	9.5%
Cigarette	3,919	3,351	(568)	-14.5%
Property (State School Levy)	386,183	384,523	(1,660)	-0.4%
Estate	11,426	13,015	1,590	13.9%
Real Estate Excise	49,698	53,505	3,807	7.7%
Timber (state share)	2,237	2,151	(86)	-3.9%
Other	31,105	32,977	1,873	6.0%
Department of Licensing (4)	533	466	(68)	-12.7%
Lottery (5)	0	0	0	NA
Total General Fund-State***	\$1,170,165	\$1,154,061	(\$16,105)	-1.4%

1 Collections November 11 - December 10, 2003. Collections primarily reflect October 2003 activity of monthly taxpayers.

2 November 1-30, 2003 collections.

3 Cumulative collections, estimates and variance since the November 2003 forecast; (November 11 - December 10, 2003) and revisions to history.

4 Cumulative collections, estimates and variance since the November forecast; (November 2003) and revisions to history.

5 Lottery transfers to the General Fund

* Based on the November 2003 economic and revenue forecast.

**The Revenue Act consists of the retail sales, B&O, use, public utility, tobacco products taxes, and penalty and interest.

*** Detail may not add due to rounding. The General Fund-State total in this report includes only collections from larger state agencies: the Department of Revenue and the Department of Licensing.

TABLE 2
November 10, 2003 Collection Report - Revised Data
Thousands of Dollars

<u>Period/Source</u>	<u>Collections</u>		<u>Difference</u>	
	<u>Preliminary</u>	<u>Revised</u>	<u>Amount</u>	<u>Percent</u>
October 11-November 10, 2003				
Department of Revenue-Total	\$939,237	\$939,237	(\$0)	-0.0%
Revenue Act (1)	792,111	792,111	0	0.0%
Non-Revenue Act(2)	147,126	147,126	(0)	-0.0%
Liquor Sales/Liter	7,464	7,464	0	0.0%
Cigarette	4,448	4,448	(0)	-0.0%
Property (State School Levy)-net	32,436	32,436	(0)	-0.0%
Property tax collections	32,436	32,436	(0)	-0.0%
transfer to the Student Achievement Acct.	0	0	0	NA
Estate	15,747	15,747	(0)	-0.0%
Real Estate Excise	49,932	49,932	(0)	-0.0%
Timber (state share)	0	0	0	NA
Other	37,100	37,100	(0)	-0.0%
Department of Licensing (2)	721	712	(9)	-1.3%
Lottery (2)	0	0	0	NA
Total General Fund-State***	\$939,958	939,949	(\$9)	-0.0%

Cumulative Receipts: September 11 - November 10, 2003 & Revisions to History

Department of Revenue-Total	1,730,553	\$1,731,917	\$1,364	0.1%
Revenue Act (3)	1,489,801	1,489,801	0	0.0%
Non-Revenue Act(4)	240,751	242,116	1,365	0.6%
Liquor Sales/Liter	16,099	16,099	(0)	-0.0%
Cigarette	9,691	9,691	(0)	-0.0%
Property (State School Levy)-net after transfer	42,281	42,281	(0)	-0.0%
Property tax collections	42,281	42,281	(0)	-0.0%
transfer to the Student Achievement Acct.	0	0	0	NA
Estate	26,457	26,457	(0)	-0.0%
Real Estate Excise	102,154	102,154	0	0.0%
Timber (state share)	0	0	0	NA
Other	44,070	45,434	1,364	3.1%
Department of Licensing (4)	1,428	1,409	(19)	-1.3%
Lottery (4)	0	0	0	NA
Total General Fund-State***	\$1,731,981	\$1,733,327	\$1,346	0.1%

Preliminary. Reported in the November 10, 2003 collection report.

1 Collections October 11 - November 10, 2003. Collections primarily reflect August 2003 business activity of monthly taxpayers.

2 October 1-31, 2003 collections.

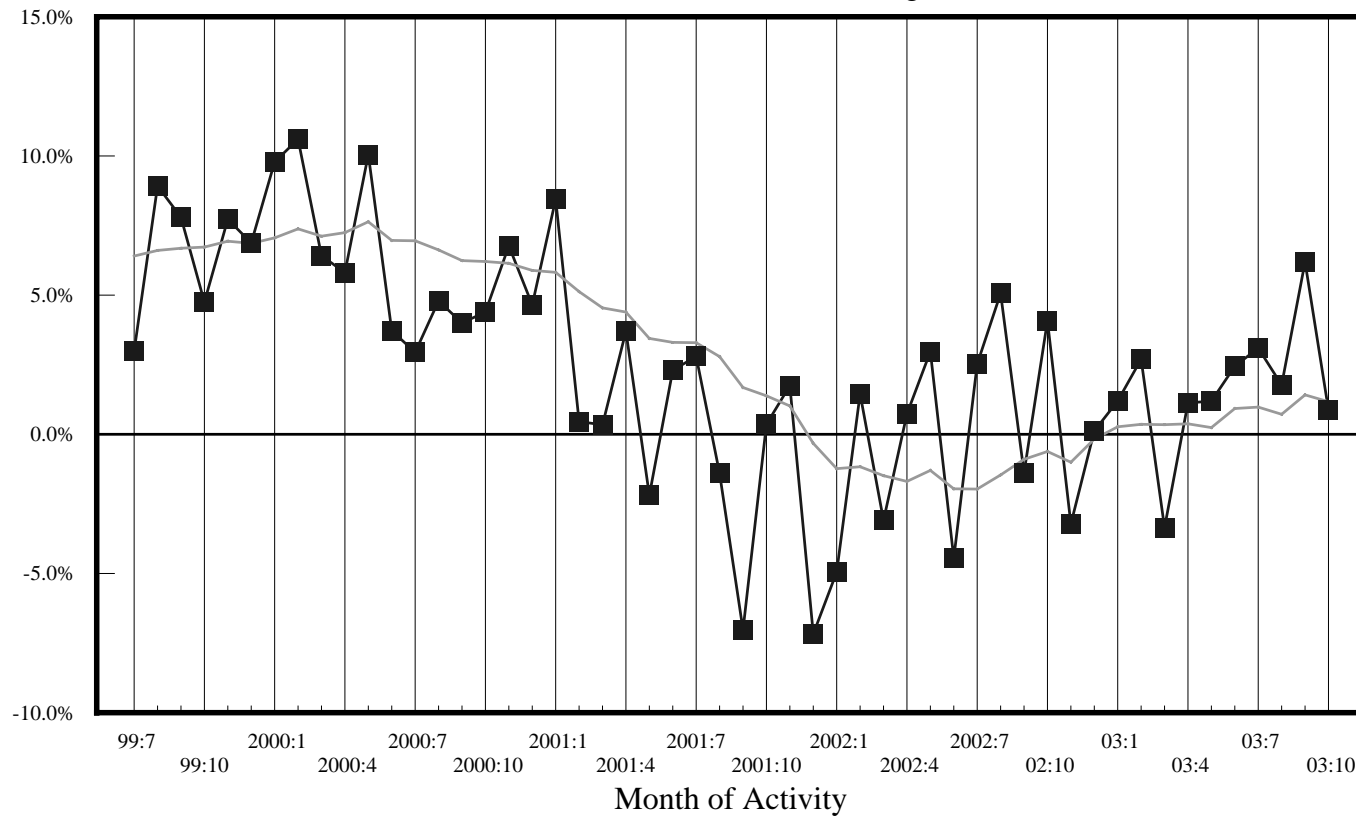
3 Cumulative receipts since the September 2003 forecast: September 11- November 10,2003 & revisions to history.

4 Cumulative receipts since the September 2003 forecast (September & October 2003) & revisions to history.

* Revenue consists of the retail sales, B&O, use, public utility and tobacco products taxes, and penalty and interest payments for these taxes.

Revenue Act Net Collections*

Year-over-Year Percent Change



■ %CH from year-ago month

— %change: 12 month moving average

*Adjusted for special factors